PROVINCE OF SASKATCHEWAN

2010

SASKATCHEWAN GOVERNMENT INSURANCE

Service Recognition Plan

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Letters of Transmittal

His Honour, The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I have the honour to transmit herewith the Annual Report of the Saskatchewan Government Insurance Service Recognition Plan for the year ending December 31, 2010.

Ken Krawetz
Minister of Finance

The Honourable Ken Krawetz
Minister of Finance

Sir:

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the Annual Report of the Saskatchewan Government Insurance Service Recognition Plan for the year ending December 31, 2010.

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Saskatchewan Government Insurance Service Recognition Plan

Introduction

Saskatchewan Government Insurance (SGI) established the SGI Service Recognition Plan (the Plan) effective January 1, 1999 for the payment of retirement benefits to certain employees.

The Plan is not registered under the *Income Tax Act* (Canada). SGI has not established a trust nor does it hold property for the specific purpose of providing benefits to participants of the Plan. Benefits are funded out of SGI's current operations.

SGI was the administrator of the Plan from January 1, 1999 to January 13, 2004. On January 13, 2004, an Order in Council designated the Public Employees Benefits Agency (PEBA) as the administrator of the Plan pursuant to The Financial Administration Act, 1993.

Enrollment

SGI out-of-scope employees receive benefits from the Plan, provided they meet eligibility requirements. At December 31, 2010, there were 258 (2009 – 263) members in the Plan and 15 (2009 – 11) terminated participants who received benefits from the Plan during the year.

Benefits

Participants in the Plan are eligible for benefits upon termination of employment, without cause, provided they meet eligibility requirement of the earlier of the employee attaining age 50 or the sum of the employee's age and years of service is at least 75. Employees meeting either criterion receive a lump sum payment of five days salary, based on the termination salary rate, for each year of service with SGI.

A participant in the Plan who dies while a member of the Plan is deemed to satisfy the eligibility requirements. The member's beneficiary or estate will receive the same benefit as at termination or retirement based on the formula identified above.

The benefit received is considered a retiring allowance under The Income Tax Act (Canada) and is taxable in the hands of the member. A member who has years of service earned prior to 1996 is eligible for a portion of this payment to be a tax-free direct transfer to their RRSP.

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

As administrators of the Saskatchewan Government Insurance Service Recognition Plan, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Saskatchewan Government Insurance Service Recognition Plan has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.

The accrued benefits obligation is determined by an actuarial valuation. Actuarial valuation reports require management's best estimate assumptions about future events.

We enclose the financial statements of the Saskatchewan Government Insurance Service Recognition Plan for the year ended December 31, 2010 and the Provincial Auditor's report on these financial statements.

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Kathy Deck, CGA
Director, Financial Services
Public Employees Benefits Agency

Regina, Saskatchewan
March 3, 2011

Actuaries' Opinion

Aon Consulting Inc. was retained by Saskatchewan Government Insurance (SGI) to perform an actuarial valuation of the SGI Service Recognition Plan as at December 31, 2010. This valuation has been prepared for the purpose of determining the actuarial information to be included in the Plan's financial statements as of December 31, 2010.

In my opinion, for the purpose of this actuarial valuation:

- the data on which this valuation is based is sufficient and reliable;
- the actuarial cost methods employed are appropriate; and
- the valuation conforms with the requirements of The Canadian Institute of Chartered Accountants Handbook Section 3461.

The assumptions have been adopted as management's best estimates for accounting purposes and consequently I have not rendered an opinion on them; however, in my opinion, the assumptions are, in aggregate not unreasonable, when considering the circumstances of the plan and the purpose of the valuation.

Emerging experience differing from the assumptions will result in gains or losses, which will be revealed in subsequent valuations.

This actuarial valuation has been prepared and this actuarial opinion has been given in accordance with accepted actuarial practice.

David R. Larsen
Fellow, Society of Actuaries
Fellow, Canadian Institute of Actuaries

January 21, 2011

Saskatchewan Government Insurance Service Recognition Plan

Financial Statements

Year Ended December 31, 2010

Auditor's Report

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Saskatchewan Government Insurance Service Recognition Plan, which comprise the statement of net assets available for benefits and accrued benefits obligation and surplus as at December 31, 2010 and the statement of changes in net assets available for benefits, and statement of changes in accrued benefits obligation for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Saskatchewan Government Insurance Service Recognition Plan as at December 31, 2010, and the changes in its net assets available for benefits and changes in its accrued benefit obligation for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
March 3, 2011

Brian Atkinson, FCA
Acting Provincial Auditor

Saskatchewan Government Insurance
Service Recognition Plan

Statement 1

Statement of Net Assets Available for Benefits and Accrued Benefits Obligation and Surplus

As at December 31

	2010	2009
	(000's)	
ASSETS		
SGI contributions receivable	$ 7,667	$ 7,699
NET ASSETS AVAILABLE FOR BENEFIT	7,667	7,699
ACCRUED BENEFITS OBLIGATION (Note 3)	7,667	7,699
SURPLUS	$ -	$ -

(See accompanying notes to the financial statements)

Saskatchewan Government Insurance
Service Recognition Plan

Statement 2

Statement of Changes in Net Assets Available for Benefits

Year Ended December 31

	2010	2009
	(000's)	
INCREASE IN ASSETS		
SGI contributions (Note 3)	$ 1,078	$ 1,930
DECREASE IN ASSETS		
Benefit payments	(1,110)	(575)
Increase (decrease) in net assets	(32)	1,355
NET ASSETS AVAILABLE FOR BENEFITS, beginning of the year	7,699	6,344
NET ASSETS AVAILABLE FOR BENEFITS, end of the year	$ 7,667	$ 7,699

(See accompanying notes to the financial statements)

Saskatchewan Government Insurance
Service Recognition Plan

Statement 3

Statement of Changes in Accrued Benefits Obligation

Year Ended December 31

	2010	2009
	(000's)	
Accrued benefits obligation, beginning of the year	$ 7,699	$ 6,276
INCREASE IN ACCRUED BENEFITS OBLIGATION		
Interest on accrued obligation	372	464
Benefits accrued	295	277
Change in assumptions	251	1,435
Net experience losses	160	-
	1,078	2,176
DECREASE IN ACCRUED BENEFITS OBLIGATION		
Eligible employee terminations	1,110	575
Net experience gains	-	178
	1,110	753
Increase (decrease) in accrued benefit obligation	(32)	1,423
Accrued benefits obligation, end of year	$ 7,667	$ 7,699

(See accompanying notes to the financial statements)

Saskatchewan Government Insurance
Service Recognition Plan

Notes to the Financial Statements

December 31, 2010

1. Description of the Plan

Saskatchewan Government Insurance (SGI) established the SGI Service Recognition Plan (the Plan) on January 1, 1999 for the purpose of providing certain retirement benefits to SGI employees (the Participants).

The Plan is not registered under the *Income Tax Act* (Canada). SGI has not established a trust nor does it hold property for the specific purpose of providing benefits to the participants. Benefits are funded out of current operations of SGI.

SGI managed the Plan from January 1, 1999 to January 13, 2004. On January 13, 2004, an Order in Council designated the Plan as a benefit program to be operated, administered and managed by the Public Employees Benefits Agency (PEBA). An agreement has been established between PEBA and SGI, which specifies the administrative services that SGI will provide.

The following description is a summary only. For more complete information, reference should be made to the Plan document.

Eligibility

Under the Plan, SGI out-of-scope employees are eligible for benefits upon termination of employment with SGI. Employees who are terminated for cause are not eligible. Employees must reach their benefit eligibility date prior to termination in order to receive benefits from the Plan. The benefit eligibility date is the earlier of:

a) age plus service equal to or greater than 75; or
b) age 50

At December 31, 2010, there were 258 (2009 – 263) participants in the Plan and 15 (2009 – 11) terminated participants who received benefits from the Plan during the year.

Benefits

Employees meeting the eligibility criteria receive a lump sum payment of five days salary (salary rate being the salary paid at the time of cessation of active work) for each year of continuous service less ineligible leave time and ineligible partial service time.

A participant in the Plan who dies while a member of the Plan is deemed to satisfy the eligibility requirements. The member's beneficiary or estate will receive the same benefit payment based on the calculation identified above.

2. Significant Accounting Policies

These financial statements were prepared in accordance with Canadian generally accepted accounting principles.

(a) Future Accounting Policy Changes

Effective January 1, 2011 the Plan will adopt section 4600 of the CICA Handbook which replaces section 4100. This section provides guidance on the measurement of the Plan's accrued benefit obligation. This section also provides the Plan with the ability to select to follow International Financial Reporting Standards (IFRS) or Accounting Standards for Private Enterprises for all other accounting policies.

The Plan will follow IFRS as that is the set of accounting standards that will be adopted by SGI. At this time management does not expect there to be a significant impact on the Plan's financial statements.

3. Accrued Benefits Obligation

The accrued benefits obligation of the Plan is receivable from SGI and will be funded by SGI as eligible employees terminate employment. The present value of the accrued benefits obligation was determined using the projected benefits method prorated on service and the best estimate assumptions of SGI's management. AON Hewitt performed an actuarial valuation as at December 31, 2010.

The accrued benefits obligation is based on many assumptions about future events. Actual experience may vary significantly from the long-term assumptions used. The actuarial valuation is based on the following significant assumptions:

	2010	2009
Discount rate		
Beginning of year	5.00%	7.40%
End of year	4.30%	5.00%
Inflation rate	2.50%	2.50%
General salary increase	3.50%	5.00% for 1 year and 3.50% thereafter
Expected average remaining service life (EARSL)	10 years	9 years

The following illustrates the effect of changes in these assumptions on the accrued benefits obligation:

Assumption	Change Made	Change in Obligation at December 31, 2010 (000's)	Percentage change in Obligation
Total Discount Rate	Plus 1% Minus 1%	(353) 397	(4.60%) 5.18%
Inflation Rate	Plus 1% Minus 1%	3 (3)	0.04% (0.04%)
General Salary Increase	Plus 1% Minus 1%	396 (359)	5.16% (4.68%)

In assessing the change arising from a change in the inflation rate assumption, both the salary increase rate and the discount rate are changed, as they include inflation as a component.

Net experience gains or losses result from differences between actual and expected employee terminations, retirements, salary increases, deaths, and the addition of new plan members.

The actuarial present value of the accrued benefits obligation is long-term in nature and there is no market for settling this obligation. Therefore, determination of the fair value is not practicable.

4. Financial Risk Management

The nature of the Plan's operations result in a statement of net assets available for benefits, accrued benefit obligation and surplus that consists entirely of financial assets and liabilities. As benefits are funded out of current operations of SGI, the Plan's financial risks relate primarily to credit risk. The maximum credit risk to which it is exposed at December 31, 2010 is limited to the carrying value of its contributions receivable from SGI.

5. Related Party Transactions

Included in these financial statements are transactions with SGI, which is related to the Plan by virtue of common control by the Government of Saskatchewan.

The Plan has received the use of office space and administrative services from SGI at no charge. Additionally, PEBA provides administrative services to the Plan for a yearly administration fee of $1,000, which is paid by SGI.